

PROPOSED DEBT CONVERSION AND ISSUE OF 25,500,000 CONVERSION SHARES

1. INTRODUCTION

The board of directors (“**Board**”) of Mary Chia Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 1 March 2021 entered into a conditional debt capitalization agreement (“**DCA**”) with Ms Ho Yow Ping (“**HYP**”), Madam Chia Ah Tow (“**CAT**”) and JL Asia Resources Pte Ltd (“**JLA**”), (collectively, the “**Participating Creditors**”) for the proposed debt conversion and issue of conversion shares (“**Proposed Debt Conversion**”) of the Aggregate Debt (as defined below) into 25,500,000 new ordinary shares in the capital of the Company (“**Shares**”) (“**Conversion Shares**”) at the conversion price of S\$0.15 per Conversion Share (“**Conversion Price**”).

2. THE PROPOSED DEBT CONVERSION AND SALIENT TERMS OF THE DCA

2.1 Amounts owing to the Participating Creditors

As at the date of the DCA, the total amounts owing to the Participating Creditors amounts to an aggregate sum of S\$3,825,000. Details of the amounts owing to the respective Participating Creditors are set out below:-

- (a) HYP, the Executive Chairman, Chief Executive Officer and Controlling Shareholder of the Company had extended loans to the Company for working capital purposes. The loans are unsecured and non-interest bearing. HYP had provided an undertaking not to demand repayment of the amounts due from the Group within the next 36 months from 31 March 2017 or until the cash flows of the Group permits, whichever is later. As at the date of the DCA, S\$1,463,000 of the loan from HYP remains outstanding and unpaid; and
- (b) CAT is the mother of HYP and the former Executive Chairman of the Company. CAT had extended loans to the Company for working capital purposes. The loans are unsecured and non-interest bearing. CAT had provided an undertaking not to demand repayment of the amounts due from the Group within the next 36 months from 31 March 2017 or until the cash flows of the Group permits, whichever is later. As at the date of the DCA, S\$2,118,000 of the loan from CAT remains outstanding and unpaid; and
- (c) JLA is an associate of Mr Lee Boon Leng, the spouse of HYP and a Controlling Shareholder of the Company. The Group currently leases properties from JLA for its operations and as at the date of the DCA, S\$244,000 owing to JLA in respect of rentals remain outstanding and unpaid. The amounts owing to JLA are unsecured, non-interest bearing and repayable on demand.

(the aggregate amount of S\$3,825,000 owing by the Company to the Participating Creditors (the “**Aggregate Debt**”).

Under the terms of the DCA, each amount (in whole and not in part) owing by the Company to the Participating Creditors shall be converted into Conversion Shares (defined below) at the Conversion Price (defined below).

2.2 Conversion Price

The Aggregate Debt owing to the Participating Creditors will be converted at a conversion price of S\$0.15 ("**Conversion Price**"). The Conversion Price is at a discount of 6.7% the weighted average price of the Company's Shares on 1 March 2021 of S\$0.1607, being the full market day on which Shares were traded on the date of signing of the DCA.

The Conversion Price for each Conversion Share was arrived at after taking into consideration, *inter alia*, the prevailing market conditions and financial performance of the Group, the recent share prices of the Company, the rationale for the Proposed Debt Conversion as set out in paragraph 4 below, the Aggregate Debt being interest-free, and was mutually agreed between the Company and the Participating Creditors.

2.3 Conversion Shares

Pursuant to the DCA, the Participating Creditors (or such nominee as each Participating Creditor may notify in writing to the Company) will be allotted and issued new Shares in the capital of the Company ("**Conversion Shares**") in the following proportions:

- (a) HYP will be allotted and issued 9,753,333 Conversion Shares;
- (b) CAT will be allotted and issued 14,120,000 Conversion Shares
- (c) JLA will be allotted and issued 1,626,667 Conversion Shares

In aggregate, a total of 25,500,000 Conversion Shares will be issued and allotted to the Participating Creditors.

The Conversion Shares represents approximately 12.55% of the existing share capital of the Company of 203,184,029 Shares and approximately 11.15% of the Company's enlarged share capital after issuance and allotment of the Conversion Shares of 228,684,029 Shares.

The Conversion Shares shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank *pari passu* in all respects with all other then existing Shares, except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the date of issue and allotment of the Conversion Shares.

2.4 Additional Listing Application

The Company will, through its Sponsor, make an application to the SGX-ST for the listing of and quotation for the Conversion Shares on the Catalist Board ("**Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). An announcement will be made in due course to notify the shareholders of the Company ("**Shareholders**") when the listing and quotation notice is obtained.

3. **CONDITIONS PRECEDENT**

3.1 Completion of the Proposed Debt Conversion is subject to the satisfaction and/or waiver of the following Conditions Precedent (as defined below):-

- (a) the Company obtaining Shareholders' approval at an extraordinary general meeting for the allotment and issue of the Conversion Shares, pursuant to the terms and conditions of the DCA;
- (b) the Company obtaining the listing and quotation and other requisite approval issued by the SGX-ST for the listing and quotation of the Conversion Shares on Catalist ("**Listing Approval**") and the Listing Approval not being revoked or amended, and if any conditions are attached to the Listing Approval ("**Listing Conditions**"), such Listing Conditions having been fulfilled on or before that date to the satisfaction of the SGX-ST or waived by the SGX-ST;

- (c) the allotment, issue, listing and quotation of the Conversion Shares not being prohibited by any applicable laws or regulations; and
 - (d) the warranties contained in the DCA being true, complete and accurate in all respects,
- ((a) – (d) collectively, the “**Conditions Precedent**”).

3.2 The Company shall use its reasonable endeavours to procure the fulfilment of all the Conditions Precedent. The long stop date for the fulfilment of the Conditions Precedent is three (3) months from the date of DCA, or such other date that the Company and the Participating Creditors may agree to in writing.

4. RATIONALE

4.1 Based on the latest audited financial statements of the Group for the financial year ended 31 March 2020 (“**FY2020**”) and the latest unaudited financial statements of the Group for the half year ended 30 September 2020 (“**HY2021**”), the Group recorded the following:

- (i) Loss after tax amounting to S\$9.7 million for FY2020, negative cashflow from operations amounting to S\$1.3 million for FY2020, net current liability position of S\$8.2 million and net liability position of S\$11.0 million as at 31 March 2020; and
- (ii) Profit after tax amounting to S\$0.8 million for HY2021, net current liability position of S\$7.8 million and net liability position of S\$10.2 million as at 30 September 2020.

4.2 In view of the poor financial performance of the Group and the uncertainties brought about by the Covid-19 pandemic to the Group’s operations in Singapore and Malaysia, the Board and Management has decided to enter into the DCA with the Participating Creditors on the Proposed Debt Conversion to strengthen its capital base by converting the Aggregate Debt into equity of the Company. The issue of Conversion Shares would be in the interest of the Group, as it would alleviate the Group from the pressure of its debt obligations. It will also strengthen the Group’s balance sheet and improve its debt-equity position.

4.3 The Board is of the opinion that the successful completion of the Proposed Debt Conversion would allow the Group to apply more of its cash flow towards its ongoing business operations or other opportunities instead of being committed towards debt servicing and repayment. The Proposed Debt Conversion is also a show of confidence by the Participating Creditors in the future plans, viability and anticipated performance of the Group.

5. CHANGES IN SHAREHOLDING INTERESTS OF THE PARTICIPATING CREDITORS

5.1 Following the completion of the Proposed Debt Conversion, the changes in shareholding interests of the Participating Creditors in the Company is set out as follows:-

	Before Proposed Debt Conversion			After Proposed Debt Conversion		
	Direct Interest	Deemed Interest	Total % ⁽¹⁾	Direct Interest	Deemed Interest	Total % ⁽²⁾
Ho Yow Ping	32,680,000	110,466,839 ⁽³⁾	70.45	42,433,333	110,466,839 ⁽³⁾	66.86
Chia Ah Tow	Nil	Nil	Nil	14,120,000	Nil	6.17
JL Asia Resources Pte Ltd ⁽⁴⁾	Nil	Nil	Nil	1,626,667	Nil	0.71

Lee Boon Leng	Nil	110,466,839 ⁽³⁾	54.37	Nil	112,093,506 ⁽³⁾⁽⁴⁾	49.02
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Notes:-

- (1) The percentage is calculated based on the total issued and paid-up share capital of 203,184,029 Shares as at the date of the DCA.
- (2) The percentage is calculated based on the total issued and paid-up share capital of 228,684,029 Shares as at the date of the DCA.
- (3) Suki Sushi Pte Ltd ("**Suki Sushi**") holds 110,466,839 of shares in the Company. The Shareholders of Suki Sushi Pte. Ltd. are Mr. Lee Boon Leng (72.87%), HYP (21.45%), Ms Low Xiu Li Evelyn (2.81%), Mr Khoo Cheng Been (2.31%) and Mr Seow Bao Shuen (0.56%). Mr. Lee Boon Leng and HYP are deemed interested in the Shares held by Suki Sushi by virtue of their 72.87% and 21.45% shareholding interest in Suki Sushi respectively.
- (4) JLA is 100% owned by Mr Lee Boon Leng and accordingly, Mr. Lee Boon Leng is deemed interested in the shares held by JLA in the Company.

5.2 HYP, CAT and Mr. Lee Boon Leng are deemed parties acting in concert and they hold, in aggregate more than 50% of the total number of issued Shares in the Company. Accordingly, the Proposed Debt Conversion will not result in any of HYP, CAT and Mr. Lee Boon Leng incurring an obligation to make a mandatory take-over offer under Rule 14 of the Singapore Code on Take-overs and Mergers.

6. THE PROPOSED ISSUANCE OF CONVERSION SHARES AS AN INTERESTED PERSON TRANSACTIONS

6.1 Interested Persons under Chapter 9 of the Catalyst Rules

- 6.1.1. HYP is the Executive Chairman, Chief Executive Officer and Controlling Shareholder of the Company, holding 143,146,839 Shares (inclusive of both direct and deemed interests) representing 70.45% of the existing share capital of the Company. CAT is the mother of HYP and currently do not hold any Shares in the Company as at the date of this announcement. JLA is 100% owned by Mr. Lee Boon Leng. Mr. Lee Boon Leng is the spouse of HYP and a Controlling Shareholder of the Company, having a deemed interest in 110,466,839 Shares representing 54.37% of the existing share capital of the Company.
- 6.1.2. As such, the Participating Creditors are deemed to be interested persons under Chapter 9 of the Catalyst Rules and the Proposed Debt Conversion constitutes an interested persons transaction ("**IPT**").

6.2 Thresholds under Chapter 9 of the Catalyst Rules

- 6.2.1. Under Chapter 9 of the Catalyst Rules, where the value of a transaction with an interested person singly or in aggregation with the values of the other transactions conducted with the same interested person in the same financial year equals or exceeds 5% of the Group's latest audited net tangible assets ("**NTA**"), that transaction shall be subject to Shareholders' approval.
- 6.2.2. Based on the Group's latest audited financial statements for FY2020, the Group had a negative net tangible asset of approximately S\$11 million. The market capitalisation of the Company is S\$17.3 million based on the 190,961,806 shares in issue and the volume weighted average price ("**VWAP**") of the Company's shares as at the end of FY2020. As there were no trades for 31 March 2020, the VWAP for the last day in which the Company's shares were traded prior to 31 March 2020, being S\$0.0905 as at 26 February 2020 was used for the computation of the market capitalisation.

The Aggregate Debt amounting to S\$3,825,000 represents approximately 22.13% of the market capitalisation of the Company as at 31 March 2020. Accordingly, Shareholders' approval is

required for the Proposed Debt Conversion at an extraordinary general meeting (“EGM”) to be convened in accordance with Rule 906 of the Catalist Rules

6.3 Abstention from voting

Rule 919 of the Catalist Rules, HYP, CAT, Mr. Lee Boon Leng and their associates shall abstain from exercising their voting rights in respect of all existing issued shares in the capital of the Company owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the resolutions to approve the Proposed Debt Conversion and the issue and allotment of Conversion Shares

6.4 Total interested person transactions

6.4.1 The other interested person transactions entered into by the Group for the financial year ending 31 March 2021 (“FY2021”) are as follows:

- (i) An extension of lease agreement (as announced by the Company on 23 April 2020) entered into with JLA for tenancy of 48, 49 and 50 Mosque Street for the period from 1 October 2019 to 30 September 2020 (“**Spa Lease Agreement**”). The estimated value of this lease agreement to the Company amounted to approximately S\$228,000, representing 1.32% of the market capitalisation of the Company as at 31 March 2020;
- (ii) An extension of lease agreement (as announced by the Company on 6 July 2020) entered into with JLA for tenancy of 48, 49 and 50 Mosque Street for the period from 1 October 2020 to 30 September 2022 (“**Spa Lease Agreement 2**”). The estimated value of this lease agreement to the Company amounted to approximately S\$456,000, representing 2.64% of the market capitalisation of the Company as at 31 March 2020; and
- (iii) A tenancy agreement (as announced by the Company on 29 January 2021) entered into with Suki Sushi to lease a unit at 26 Tai Seng St, #07-02 for the Group’s office premises for a term of 10 months with an option to renew for a further term of 1 year plus 1 year (“**Office Lease Agreement**”). The estimated value of this lease agreement to the Company amounted to S\$459,000, representing 2.66% of the market capitalisation of the Company as at 31 March 2020.

The Company is exempted from the requirement to obtain shareholders’ approval for the Office Lease Agreement pursuant to Rule 916(1) of the Catalist Rules as each of the Spa Lease Agreement, Spa Lease Agreement 2 and Office Lease Agreement are for periods not exceeding three (3) years and the terms are supported by an independent valuation.

6.4.2 Save for the Spa Lease Agreement, the Spa Lease Agreement 2, the Office Lease Agreement and the Proposed Debt Conversion, the Company has not entered into any other interested person transactions during FY2021.

7. THE PROPOSED ISSUANCE OF CONVERSION SHARES TO RESTRICTED PERSONS UNDER CHAPTER 8 OF THE CATALIST RULES

7.1 Rule 804 and Rule 812 of the Catalist Rules

Rule 804 of the Catalist Rules further provides, among others, that except in the case of an issue made on a pro rata basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Catalist Rules, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.

In addition, Rule 812(1) and Rule 812(2) of the Catalist Rules provide that an issue of shares must not be placed to an issuer’s directors and substantial shareholders and their immediate family members unless specific shareholders’ approval has been obtained for such placement,

and the person, and its associates, must abstain from voting on the resolution approving the placement.

As the Conversion Shares will be allotted and issued to HYP, a director and Controlling Shareholder of the Company, CAT who is an immediate family member and associate of HYP and JLA who is an associate of Mr. Lee Boon Leng, a Controlling Shareholder of the Company, Shareholders' approval is required to be obtained in connection with the Proposed Debt Conversion pursuant to Rule 804 and Rule 812 of the Catalist Rules.

7.2 Rule 805(1) of the Catalist Rules

Section 161 of the Companies Act and Rule 805(1) of the Catalist Rules provide, among others, that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer unless the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer is made pursuant to a general mandate previously obtained from shareholders of the issuer at a general meeting as provided in Rule 806 of the Catalist Rules.

The allotment and issue of the Conversion Shares will be made pursuant to a specific mandate and the Company is seeking specific Shareholder's approval for the allotment and issue of the Conversion Shares in accordance with Rule 805(1) of the Catalist Rules.

7.3 Abstention from voting

HYP, CAT, Mr. Lee Boon Leng and their associates will abstain from exercising their voting rights in respect of all existing issued Shares owned by them, and will not accept appointments as proxy unless specific instructions as to voting are given, in respect of the Ordinary Resolutions to approve the Proposed Debt Conversion and the allotment and issue of the Conversion Shares.

8. **FINANCIAL EFFECTS OF THE PROPOSED DEBT CONVERSION AND ISSUE OF THE CONVERSION SHARES**

The table illustrating the financial effects of the Proposed Debt Conversion on (i) the net tangible liability per share of Group; (ii) the loss per share of the Group; and (iii) the gearing ratio of the Group have been prepared based on the Group's latest audited consolidated financial statements for FY2020 and the following principle assumptions:

- (i) the financial effects on the Group's net tangible liability ("**NTL**") per Share and the gearing of the Group are computed based on the assumption that the Proposed Debt Conversion had been completed on 31 March 2020;
- (ii) the financial effect on the Group's the loss per Share ("**LPS**") is computed based on the assumption that the Proposed Debt Conversion had been completed on 1 April 2019;
- (iii) the expenses incurred for the Proposed Debt Conversion are negligible; and
- (iv) the existing number of issued and paid-up share capital of the Company comprises 203,184,029 Shares.

The objective of the financial effects analysis is to illustrate what the historical information of the Company or the Group might have been had such transactions been completed at an earlier date. **It is not intended to be a projection of the financial position or performance of the Company or the Group after the completion of the Proposed Debt Conversion**

8.1 Loss per Share

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Loss after tax attributable to Shareholders (S\$'000)	9,158	9,158
Weighted average number of Shares	165,784,029	191,284,029
Loss per Share attributable to Shareholders (S\$ cents)	5.52	4.79

8.2 Net tangible liability

	Before Proposed Debt Conversion	After Proposed Debt Conversion
NTL attributable to Shareholders (S\$'000)	12,016	8,191
Number of issued Shares	203,184,029	228,684,029
NTL attributable to Shareholders per Share (S\$ cents)	5.91	3.58

8.3 Gearing

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Net Debt ⁽¹⁾ (S\$'000)	10,993	7,168
Total Equity (S\$'000)	(12,016)	(8,191)
Gearing ratio (times)	NM ⁽²⁾	NM ⁽²⁾

Notes:-

- (1) Net debt is a summation of borrowings, lease liabilities and trade and other payables less cash and cash equivalents at 31 March 2020.
- (2) Not meaningful as the Group has a deficit in shareholder's funds as at balance sheet date

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for HYP and Mr. Lee Boon Leng and as disclosed above, none of the Directors or Controlling Shareholders of the Company has any interest, whether direct or indirect, in the Proposed Debt Conversion, other than through their respective shareholdings (if any) in the Company.

10. AUDIT COMMITTEE STATEMENT

Pursuant to Rule 917(4)(a) of the Catalist Rules, a statement (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or (ii) that the audit committee is obtaining an opinion from an IFA before forming its view. Rule 921(4)(b)(i) of the Catalist Rules states that the opinion of an IFA is not required for an issue of Shares pursuant

to Part IV of Chapter 8 of the Catalist Rules if the audit committee provides an opinion in the form required in Rule 917(4)(a) of the Catalist Rules.

In this regard, the Audit Committee, having reviewed the terms and conditions of the DCA, the rationale for the Proposed Debt Conversion, the proposed issue of Conversion Shares, the Conversion Price and the financial effects of the proposed issue of Conversion Shares, is of the opinion that the terms of the DCA and the proposed issue of Conversion Shares are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

11. CONFIRMATION BY DIRECTORS

The Proposed Debt Conversion will not result in any new cash proceeds for the Company. The Directors are of the opinion that after taking into consideration the present bank facilities available to the Group and the continued financial support from Suki Sushi, the working capital available to the Group is sufficient to meet its present requirements.

12. CIRCULAR AND EGM

The Company will be seeking Shareholder's approval for the Proposed Debt Conversion and the proposed issue of the Conversion Shares at an EGM to be convened. A circular to Shareholders' containing, *inter alia*, information on the Proposed Debt Conversion and the proposed issue of the Conversion Shares, as well as the notice of EGM will be dispatched to the Shareholders in due course.

13. DOCUMENTS FOR INSPECTION

A copy of the DCA is available for inspection during normal business hours at the registered office of the Company at 183 Thomson Road, Goldhill Shopping Centre, Singapore 307628 for a period of three (3) months from the date of this announcement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the DCA, the Proposed Debt Conversion and the proposed issue of the Conversion Shares, the issuer and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Ho Yow Ping, Wendy
Chief Executive Officer
2 March 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Charmian Lim (Tel: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.